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CITY OF PORTLAND, OREGON

PORTLAND DEVELOPMENT COMMISSION

REAL ESTATE OPTION

GRANTOR--Brand-S Lumber Co.,
a Montana corporation

MAIL ADDRESS--(b) (6)

AGENT OF GRANTOR--John L. Schwabe,
Attorney at Law

MAIL ADDRESS--Souther, Spaulding,
Kinsey, Williamson & Schwabe
1200 Standard Plaza
1100 S.W. Sixth Avenue
Portland, Oregon 97204

IN CONSIDERATION of the payment of one dollar (\$1.00) by the CITY OF PORTLAND, acting by and through the PORTLAND DEVELOPMENT COMMISSION, hereinafter referred to as "Commission", to the undersigned, the receipt of which is hereby acknowledged by the undersigned, and in consideration of the plans and purpose of the Commission to use, develop, operate and sell the real property hereinafter described for private or public purposes, and in consideration of the hereby acknowledged benefit that will inure thereby to the undersigned or to the public, whether tangible or not, we the undersigned, jointly and severally, for ourselves and our heirs, executors, administrators, successors and assigns, hereby give and grant to the Commission, upon the terms and conditions hereinafter stated, the option to buy the following described real property in the City of Portland, County of Multnomah and State of Oregon, to-wit:

PARCEL I:

A part of Fractional or Irregular Block 7, all of River Lot 2, and part of River Lot 1 and that part of Albany Street, vacated, all in JAMES JOHN'S ADDITION TO THE TOWN OF ST. JOHNS, in the City of Portland, County of Multnomah and State of Oregon, described as follows:

BEGINNING at the most Northerly corner of Fractional Block 7; thence Southeasterly on the Northeasterly line of said Block, to a point 40 feet Northwesterly from the most Easterly corner of said Block; thence in a Southwesterly direction, along a line drawn parallel to the Northwesterly side line of said Fractional Block and an extension thereof, across Albany (formerly N. Second) Street, now vacated, and continuing on said course, along a line drawn parallel with the Northwesterly line of said River Lot 1 to the Willamette River; thence Northwesterly, along the meanderings of said River, to the Northwesterly line of said River Lot 2; thence Northeasterly, along the

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Northwesterly line of said River Lot 2, and an extension thereof, across Albany Street aforesaid, and continuing on the same course along the Northwesterly line of said Block 7, to the place of beginning, TOGETHER WITH the vacated portion of N. Pittsburg Avenue, which inured to Parcel I by Ordinance No. 141312 of the City of Portland.

PARCEL II:

BEGINNING on the Southeasterly line of N. Bradford Street, which is also the Northeasterly line of Fractional Block 7, in JAMES JOHN'S ADDITION TO THE TOWN OF ST. JOHNS, in the City of Portland, County of Multnomah and State of Oregon, 40 feet Northwesterly from the most Easterly corner of said Fractional Block 7; thence Southwesterly and parallel with the Northwesterly line of N. Salem Avenue and the Southwesterly extension thereof, to the Harbor Line of the Willamette River; thence Southeasterly, along said Harbor Line, to its intersection with the Southerly extension of the Southeasterly line of River Lot 7, ST. JOHNS; thence Northeasterly, along said Southeasterly line of said River Lot 7 and a Northerly extension thereof, to the most Southerly corner of Lot 3, Block 2, ST. JOHNS; thence along the Southeasterly lines of Lots 3 and 6, Block 2, ST. JOHNS to the most Easterly corner of said Lot 6, on the Southwesterly line of N. Bradford Street; thence along said Southwesterly line of N. Bradford Street to the place of beginning; TOGETHER WITH all those portions of vacated streets which inured to said premises; SUBJECT TO the rights of the public as to those portions of said premises lying within the boundaries of N. Burlington Avenue.

PARCEL III:

A portion of Fractional or Irregular Block 4, JAMES JOHN'S ADDITION TO THE TOWN OF ST. JOHNS, in the City of Portland, County of Multnomah and State of Oregon, more particularly described as follows:

BEGINNING at the most Westerly corner of said Block 4, same being also the intersection of Salem Street (now N. Salem Avenue) and Crawford Street (now N. Crawford Street) in said City of St. Johns; thence in a Southeasterly direction, along the Northerly line of said N. Crawford Street 50 feet; thence Northeasterly, along a line drawn parallel with N. Salem Avenue 100 feet; thence at right angles Northwesterly along a line drawn parallel with said N. Crawford Street 50 feet to said N. Salem Avenue; thence Southwesterly, along the East line of said Salem Street 100 feet to the place of beginning, all in the City of Portland, County of

Multnomah and State of Oregon.

PARCEL IV:

Block 12, JAMES JOHN'S SECOND ADDITION TO ST. JOHNS, in the City of Portland, County of Multnomah and State of Oregon; EXCEPTING THEREFROM that portion conveyed to the City of Portland, by Deed recorded June 16, 1961, in Book 2067, Page 79, Deed Records.

PARCEL V:

All that portion of River or Wharf Lots 1, 2, 3, 4, 5 and 6, ST. JOHNS, in the City of Portland, according to the duly recorded plat thereof, and also all that portion of what was formerly Charleston Street which has since been vacated in said Town of ST. JOHNS, more particularly described as follows:

BEGINNING at the Southwest corner of a certain tract of land conveyed by way of Mortgage by Western Wool Warehouse Company, an Oregon corporation, to Ladd & Tilton Bank by that certain Mortgage recorded in Book 892, Page 394, Mortgage Records; running thence in an Easterly direction, along the Southerly line of that tract of land described in said Mortgage, a distance of 226.25 feet to the Southeast corner thereof; thence in an Easterly direction, along an extension of the Southerly line of that tract of land described in said Mortgage to a point in the Westerly line of N. Richmond Avenue; thence in a Southwesterly direction along said Westerly line of N. Richmond Avenue and an extension thereof, to the low water mark in the Willamette River; thence following the low water mark in the Willamette River down stream and in a Westerly direction to the point of intersection between said low water mark and a Southerly extension of the Westerly side line of said tract of land described in said Mortgage; thence Northeasterly, along said last mentioned line to the point of beginning.

PARCEL VI:

All of the following bounded and described real property, situated in the City of Portland, County of Multnomah and State of Oregon:

BEGINNING at a point on the Westerly line of N. Richmond Avenue, 31.5 feet Southerly from the Southeast corner of said Block 1, ST. JOHNS; thence Southerly and following the Westerly line of N. Richmond Avenue, 20 feet; thence North 68° 30' West, parallel to the Southerly line of said Block 1, 120.5 feet; thence Southerly, parallel to the Westerly line of N. Richmond

Avenue, 50.5 feet; thence Westerly, at right angles 14.1 feet; thence Southerly, at right angles and parallel with the Westerly line of N. Richmond Avenue 64 feet; thence in a Westerly direction 226.25 feet to a point on the Westerly line of said River or Wharf Lot 6, which is 351 feet South 24° 30' West from the Northwest corner of said Lot 7 in Block 2, ST. JOHNS; thence North 24° 30' East, along the Westerly line of said River Lot 6 and the same extended 351 feet to the Northwest corner of said Lot 7 in Block 2; thence South 65° 30' East, along the Southerly line of N. Bradford Street 156 feet to a point 4 feet Westerly from the Northwest corner of said Block 1; thence South 24° 30' West, parallel to the East line of said Block 1 130.5 feet; thence South 65° 30' East, parallel to the Southerly line of said Block 1, 73.74 feet; thence South 24° 30' West, parallel to the Easterly line of said Block 1, 101 feet; thence South 65° 30' East, parallel to the Southerly line of said Block 1, 130.26 feet, more or less, to the place of beginning.

PARCEL VII:

A tract of land in the City of Portland, County of Multnomah and State of Oregon, described as follows:

BEGINNING at a point 31.5 feet South of the Southeasterly corner of Lot 1, Block 1, ST. JOHNS; thence Northerly, along the Easterly line of Block 1, 231.5 feet; thence Westerly 204 feet to a point in the Northerly line of Block 1, extended Westerly; thence Southerly and parallel to the Westerly line of Block 1, 130.5 feet; thence Easterly, parallel to the Southerly line of Lot 5, Block 1, 73.74 feet; thence Southerly and parallel to the Westerly line of Lot 3, Block 1, 101 feet; thence Easterly in a straight line, 130.26 feet to the point of beginning; ALSO, the following described property, to-wit: BEGINNING at a point in the Westerly line of N. Richmond Avenue, which said point is 251.5 feet South of the Northeasterly corner of Block 1, ST. JOHNS; thence Southerly, along the Westerly line of N. Richmond Avenue 123.46 feet; thence North 61° 42' West 134.90 feet; thence Northerly and parallel with the Westerly line of N. Richmond Avenue 64 feet; thence Easterly and parallel with the South line of Block 1 in said addition, 14.10 feet; thence Northerly and parallel with the Easterly line of N. Richmond Avenue 50.5 feet; thence Easterly and parallel with the Northerly line of said Block 1, 120.50 feet to the place of beginning.

PARCEL VIII:

Lots 1, 2, 3, 4, 5, 6, 7 and 8, Block 7, ST. JOHNS, in

the City of Portland, County of Multnomah and State of Oregon; TOGETHER WITH that portion of N. Charleston Avenue lying between Blocks 7 and 8, ST. JOHNS, as vacated by Ordinance No. 110866, and that portion of N. John Avenue, lying between Block 6 and 7, ST. JOHNS.

PARCEL IX:

Lots 1, 2, 3, 4, 5, 6, 7 and 8, Block 8, ST. JOHNS, in the City of Portland, County of Multnomah and State of Oregon, said real property being all of said Block 8.

PARCEL X:

All that portion of N. Richmond Avenue in the City of Portland, County of Multnomah and State of Oregon, lying Southerly of the Southwesterly line of O.W.R. & N. CO. right-of-way.

PARCEL XI:

A tract of land described as being at the point in the Southwest corner of the William and Nancy Caples Donation Land Claim, in the City of Portland, County of Multnomah and State of Oregon; running thence Easterly, parallel with the Willamette River to a point in the Easterly line of Richmond Street, as now laid out and established and shown in official map of the City of St. Johns; running thence in a Northeasterly direction following the Easterly line of Richmond Street 282 feet, more or less, to the Southerly line of O.W.R. & N. Company's right-of-way; thence South 71° East 133 feet, more or less, along the Southerly line of O.W.R. & N. Company's right-of-way to the Westerly line of Block 49, A. L. MINER'S ADDITION; thence Northerly, following the Westerly line of Block 49 to the Southerly line of Bradford Street, if extended; thence Easterly on the Southerly line of Bradford Street, if extended, to the center of Tyler Street before being vacated, said point being 30 feet from the Northeast corner of Block 46, MINER'S ADDITION; thence Southerly, along the centerline of Tyler Street, before vacated, parallel with and 30 feet distant from the Easterly line of Block 46 and extension thereof, to the center of Albany Street, before vacated; thence Westerly, following the centerline of Albany Street, to a point 118 feet Easterly from the Westerly line of Block 52 in said Miner's Addition to the Town of St. Johns, if said line were extended across what was formerly Albany Street; thence Southerly and parallel with the Westerly line of Block Tract 17, Lots 2 and 3, Block 1, JAMES JOHN'S ADDITION TO ST. JOHNS, in the City of Portland, County of Multnomah and State of Oregon.

PARCEL XII:

A tract of land in Section 12, Township 1 North, Range 1 West of the Willamette Meridian, in the City of Portland, County of Multnomah and State of Oregon, described as follows:

BEGINNING at the Northwest corner of Block 49, A. L. MINER'S ADDITION, in the City of Portland, County of Multnomah and State of Oregon; thence Northwesterly, along the Southerly line of N. Bradford Street extended Westerly, to the intersection of said line so extended with the Northeasterly right-of-way line of the O.W.R. & N. Company Railway; thence Southeasterly, along said right-of-way line, to its intersection with the Westerly line of said Block 49; thence Northerly, along the Westerly line of Block 49 to the point of beginning.

PARCEL XIII:

A tract of land in Section 12, Township 1 North, Range 1 West of the Willamette Meridian, in the City of Portland, County of Multnomah and State of Oregon, described as follows:

BEGINNING at a point in the Southerly right-of-way line of the Oregon-Washington Railroad & Navigation Company at its intersection with a line drawn parallel to and distant 118.0 feet at right angles in an Easterly direction from the Westerly side line of Block 52, A. L. MINER'S ADDITION, as shown on the duly recorded plat thereof; running thence South 24° 38' 15" West, parallel to said Westerly line of said Block 52, 190.0 feet to the boundary of said A. L. MINER'S ADDITION; thence South 29° 29' West 156.38 feet to the Harbor line of the Willamette River; thence South 60° 31' East, along the Harbor line, 386.59 feet to an intersection with a Southerly extension of the centerline of N. Tyler Avenue; thence North 24° 38' 15" East, along said extension of the centerline of N. Tyler Avenue 311.78 feet to a point in the Southerly right-of-way line of Oregon-Washington Railroad & Navigation Company; thence Westerly, along said right-of-way line to the point of beginning; EXCEPT that portion lying Easterly of the centerline of N. VanBuren Avenue, as extended Southerly to the Harbor Line of the Willamette River.

for the sum of One Million Five Hundred Thousand Dollars (\$1,500,000) upon conveyance of marketable title and delivery of a title insurance policy to the Commission as hereinafter provided.

The Commission shall have the irrevocable right at any time within thirty (30) days from date hereof to elect to purchase under this option. Such election to purchase shall be made by the Commission by delivering to the undersigned, or by mailing by registered mail at any United States post office to the undersigned, addressed as follows:

Brand-S Lumber Co.
c/o John L. Schwabe, Esq.
Souther, Spaulding, Kinsey,
Williamson & Schwabe
1200 Standard Plaza
1100 S.W. Sixth Avenue
Portland, Oregon 97204

written notice of such election. Such notice shall be deemed to have been given the day of such delivery, or the day following such mailing by registered mail. Upon the giving by the Commission of such notice, the undersigned agree AT OUR OWN EXPENSE AND WITHIN TEN (10) DAYS OF THE GIVING OF SUCH NOTICE TO:

(1) Convey said property with appurtenances, hereditaments and tenements to the Commission by Warranty Deed in such name as it may prescribe, subject to the following exceptions:

1. The rights of fishing, navigation and commerce in the State of Oregon, the federal government, and the public in and to that portion thereof lying below the ordinary high water mark of the Willamette River.

2. The rights acquired by the Oregon Railroad & Navigation Company to the northerly part of Block 1, described in Deed for right-of-way executed by the Oregon Barrel Company, to the Oregon Railroad & Navigation Co., dated February 8, 1902, recorded February 19, 1902, in Book 287, Page 206, Deed Records. (Affects Parcel VII).

3. The spur track rights of the Oregon Washington Railroad & Navigation Co.

4. An easement, including the terms and provisions thereof, for sewer purposes and maintenance therefor, as set forth in Deed from St. Johns Lumber Co., a corporation, to City of St. Johns, recorded June 20, 1951, in Book 1482, Page 430, Deed Records. (Affects the Northwesternly 40 feet of Parcel II running parallel to vacated N. Salem Avenue).

5. An easement, including the terms and provisions thereof, contained in Deed from John L. Hartman, et al, to the Oregon Railroad & Navigation Company, an Oregon corporation, recorded December 19, 1901, in Book 285,

Page 249, Deed Records. (Affects Parcels XI and XIII).

6. An easement, including the terms and provisions thereof, for utilities, from Portland Manufacturing Company, an Oregon corporation, to Portland General Electric Company, an Oregon corporation, recorded May 21, 1936, in Book 339, Page 31, Deed Records. (Affects Parcel XI).

7. Spur Track Agreement, including the terms and provisions thereof, between Portland Manufacturing Company, a corporation, and the Oregon-Washington Railroad & Navigation Co., a corporation, recorded June 14, 1938, in Book 452, Page 408, Deed Records. (Affects Parcels XI and XIII).

8. An easement, including the terms and provisions thereof, for sewers, from the Port of Portland, a municipal corporation, to City of Portland, a municipal corporation, recorded May 9, 1947, in Book 1170, Page 325, Deed Records. (Affects Parcel XIII).

9. An easement, including the terms and provisions thereof, for ingress and egress, from Portland Manufacturing Company, a corporation, recorded December 19, 1962, in Book 2147, Page 496, Deed Records. (Affects vacated portion of N. John Avenue and Parcel VIII).

10. An easement, including the terms and provisions thereof, for sewer, being 10 feet in width, from Portland Manufacturing Company, to City of Portland, recorded June 16, 1961, in Book 2067, Page 77, Deed records. (Affects the portion of Parcel XI within vacated Van Buren Avenue).

11. Easements for utilities over and across the premises formerly included within the boundaries of N. Charleston Avenue and N. John Avenue, now vacated as reserved in Ordinance No. 110866. (Affects Parcel VIII).

12. Easements for utilities over and across the premises formerly included within the boundaries of N. Richmond Avenue, now vacated, as reserved in Ordinance No. 110867. (Affects Parcel X).

13. Conditions in Conditional Use Request No. CU-9-73 of the City of Portland, recorded April 6, 1973, in Book 919, Page 604, Film Records, relating to landfill. (Affects Parcels I, II and XI).

14. An easement, including the terms and provisions thereof, for distribution line, being 16 feet in width,

from Brand-S-Corporation, an Oregon corporation, to Portland General Electric Company, an Oregon corporation, recorded March 13, 1975, in Book 1031, Page 1117, Film Records. (Affects the Easterly portion of Parcel VII).

15. Conditions imposed by Conditional Use Request No. CU 40-78 of the City of Portland, recorded July 3, 1978, in Book 1276, Page 2167, Film Records, to which reference is hereby made. (Affects the portion of Parcel II between N. Salem and N. Burlington Avenues).

16. A non-exclusive roadway easement for ingress, egress and spur track facilities, over and across a 30 foot strip lying Southerly and adjoining the Southerly line of the O.W.R. & N. Company's right-of-way, as set forth in Deed to Menasha Corporation, recorded July 22, 1978, in Book 1281, Page 1731, Film Records. (Affects Parcels X and XI).

(2) Furnish to the Commission an owner's policy of title insurance in the amount of said purchase price prepared by Lawyers Title Company of Oregon (Order No. 106068) insuring the Commission as fee simple owner of said property subject to the above-described exceptions.

(3) Pay all delinquent taxes and assessments against said property for the preceding tax years, and pay proportional part of current real property taxes prorated as of date of closing of escrow.

(4) Pay all water bills charged to the property as of date of closing of escrow.

(5) Deliver to the Commission possession of said property at the closing of escrow.

(6) Deliver to the Commission or its order a full set of keys for property, including outside keys and separate keys for each compartment, if applicable, and furnish the Commission complete list of tenants, amounts of rents paid by each, dates rents are due, amounts paid in advance, all advance rents to be prorated as of date of closing of escrow.

The purchase hereunder will be closed in an escrow, and the escrow fee shall be paid by the purchaser.

In the event that any portion of this property is vacant at the date of notification of the acceptance of this option by the Commission, or becomes vacant subsequent thereto, the undersigned agree not to re-rent or re-lease such vacated or vacant property.

It is specifically understood and agreed that the real

property herein agreed to be conveyed, except all tools, machinery, apparatus and equipment and all plumbing, electrical wiring and other items utilized in connection with machinery, apparatus and equipment, unless stated to the contrary herein, includes all structures, buildings, fixtures, trees, shrubbery and all other real property improvements of every nature whatsoever which are on the said property, and the undersigned agree to keep the same in good condition without waste, damage or destruction prior to delivery of possession thereof to the Commission.

The undersigned agree that loss or damage to the property by fire or other casualty shall be at the risk of the undersigned until the title to the land and deed to the Commission shall have been accepted by the Commission; and in the event that such loss or damage occurs, the Commission may, without liability, refuse to accept conveyance of title. Or, in the event of loss or damage to said property from fire, which property is covered by insurance held by or in behalf of the undersigned or in which the undersigned may have rights, the Commission may elect to take the proceeds from said insurance upon exercise of this option, and the undersigned shall assign such proceeds to the Commission, which proceeds shall be applied to reduce the sale price of the property by amount of such proceeds.

In the event the Commission does not deposit the purchase price with the escrow holder within a period of thirty (30) days from date hereof, this option shall remain in force thereafter until the undersigned shall terminate this option by giving thirty (30) days prior written notice to the Commission of such termination.

The undersigned agree that the Commission may, at its election, and notwithstanding the Commission's prior election to purchase under this option, acquire title to said land or any portion thereof or any interest therein, by condemnation or other judicial proceedings, in which event the undersigned agree to cooperate with the Commission in the prosecution of such proceedings and also agree that the said purchase price shall be the full amount of the award of just compensation, including interest, for the taking of said property, and that any and all awards of just compensation that may be made in the proceedings to any defendant shall be payable and deductible from the said purchase price.

Entry by the Commission, its employees or agents, upon said property for the purpose of inspection or survey or any slight or inadvertent entry without material damage

or injury to the realty, or without the exercise of dominion thereover to the exclusion of the undersigned, shall not be construed as a final election to close this option.

It is further agreed that no statements, expressions of opinion, representations or agreements of any nature whatsoever, not herein expressly stated, made by any representative or agent of the Commission shall be binding on, or of any effect against, the Commission.

The undersigned expressly acknowledge that all items of damages, all sums of money to be paid, and all things to be done by the Commission are included in this option. All claims for damages, injury, or loss on account of failure to close this option are hereby expressly waived by the undersigned. The undersigned agree that they shall have no claim or cause of action against the Commission or any of its employees except such as may arise by reason of this agreement.

If the undersigned shall fail, due to fault or neglect of the undersigned, to comply with the provisions of this option, and suit or action is instituted by the Commission to enforce the same or to condemn the property, the undersigned agree to pay, in addition to the costs and disbursements provided by statute, such additional sum as the Court may adjudge reasonable for attorney's fees to be allowed in said suit or action.

DATED this 2nd day of January, 1979.

BRAND-S LUMBER CO., a
Montana corporation

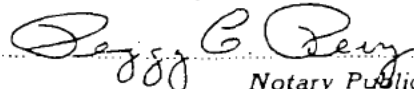
FORM No. 24—ACKNOWLEDGMENT—CORPORATION.

STEVENS-NESS LAW PUB. CO., PORTLAND, ORE.

STATE OF OREGON,

County of Benton } ss. On this 2nd day of January, 1979,
before me appeared John S. Brandis, Jr. and
Sidney B. Lewis, Jr. both to me personally known, who being
duly sworn, did say that he, the said John S. Brandis, Jr.
is the President, and he, the said Sidney B. Lewis, Jr.
is the Secretary of Brand-S Lumber Co.
the within named Corporation, and that the seal affixed to said instrument is the corporate seal of said Corporation, and that the said instrument was signed and sealed in behalf of said Corporation by authority of its Board of Directors, and John S. Brandis, Jr. and Sidney B. Lewis, Jr.
acknowledge said instrument to be the free act and deed of said Corporation.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed
my official seal the day and year last above written.



Notary Public for Oregon.

My Commission expires

4-23-82